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KAMALTA EXPLORATION LTD.

CALGARY, ALBERTA

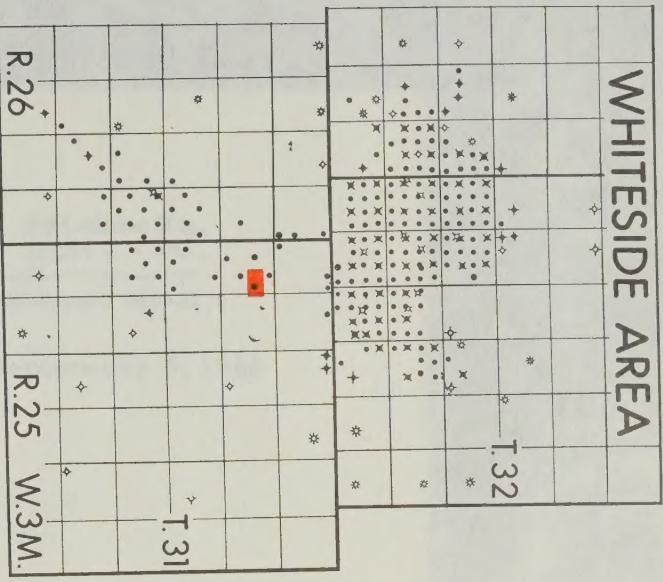
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NOTICE OF ANNUAL MEETING

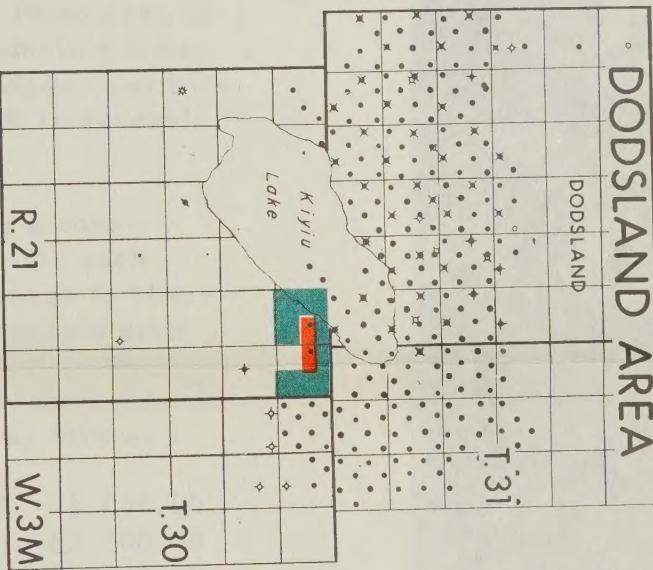
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RIGHTS OFFERING

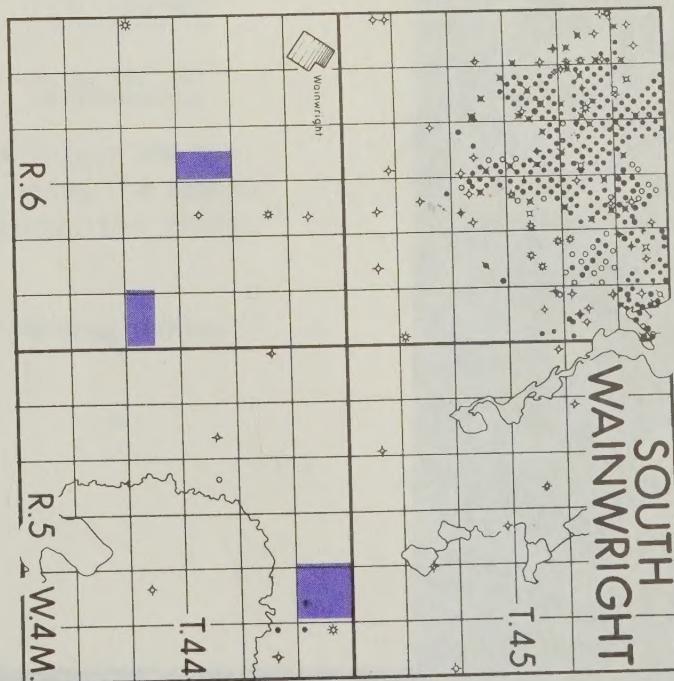
WHITE SIDE AREA



DODSLAND AREA



SOUTH WAINWRIGHT



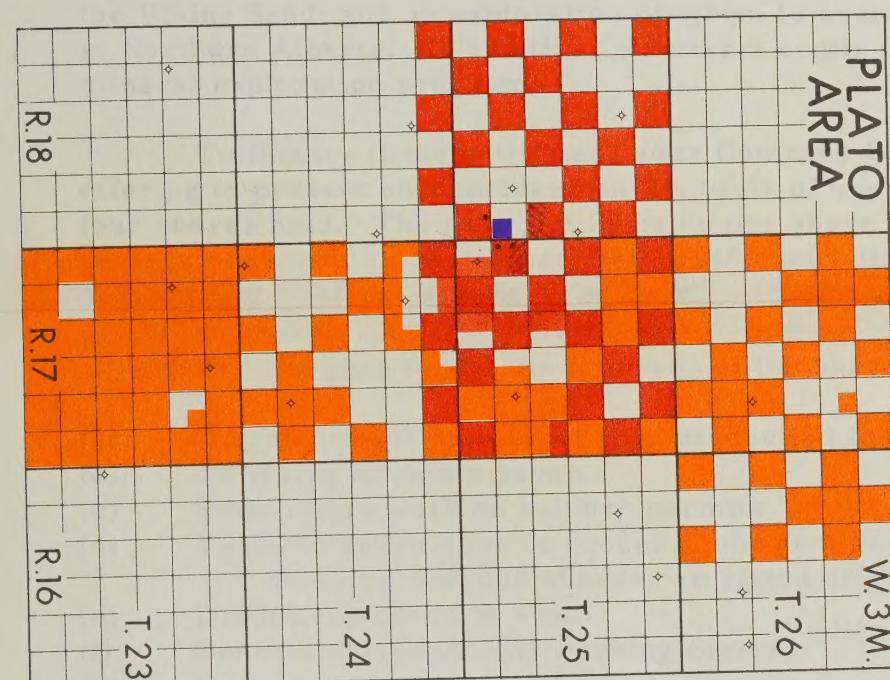
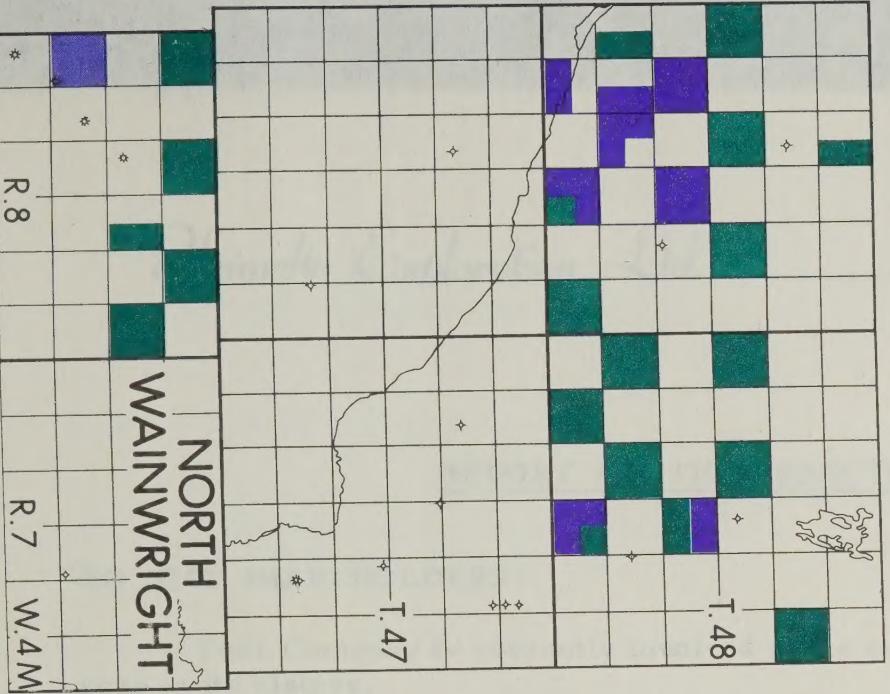
KAMALTA EXPLORATION LTD.

and

MARVEL OILS LIMITED

PROSPECT MAPS

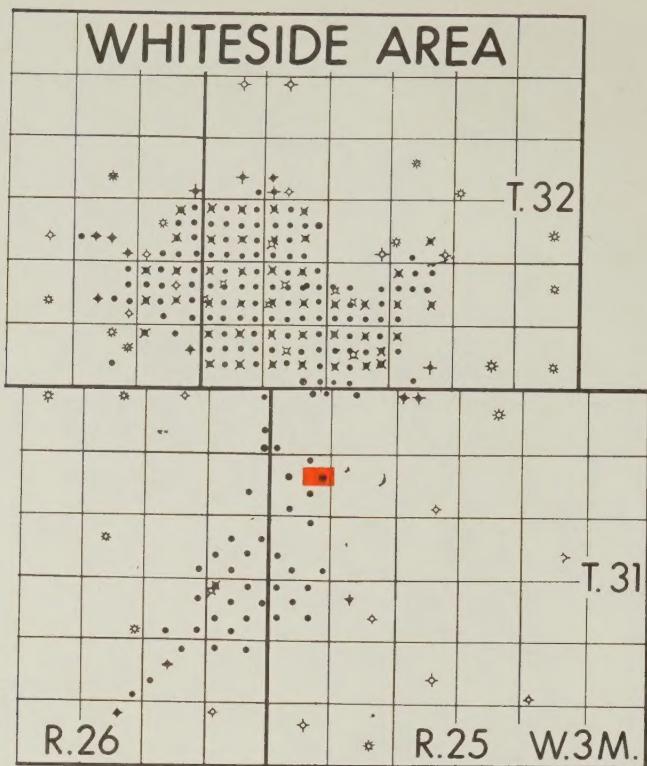
KAMALTA 100%
 SUBJECT TO ORR
 KAMALTA 12 1/2% MARVEL 12 1/2%
 PERMIT LANDS
 KAMALTA 100%
 MARVEL CAN EARN
 100% BY DRILLING
 MARVEL 100%
 SUBJECT TO ORR
 MARVEL 100% (INCL. MINERAL RIGHTS)
 MARVEL 100% (INCL. MINERAL RIGHTS)
 LEASED OUT WITH 12 1/2% ORR
 MARVEL 87 1/2% SUBJECT TO ORR
 KAMALTA 12 1/2% SUBJECT TO ORR



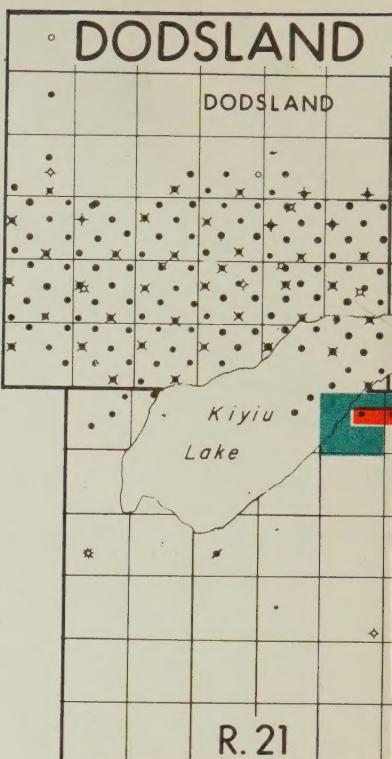
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 R.16

NORTH WAINWRIGHT

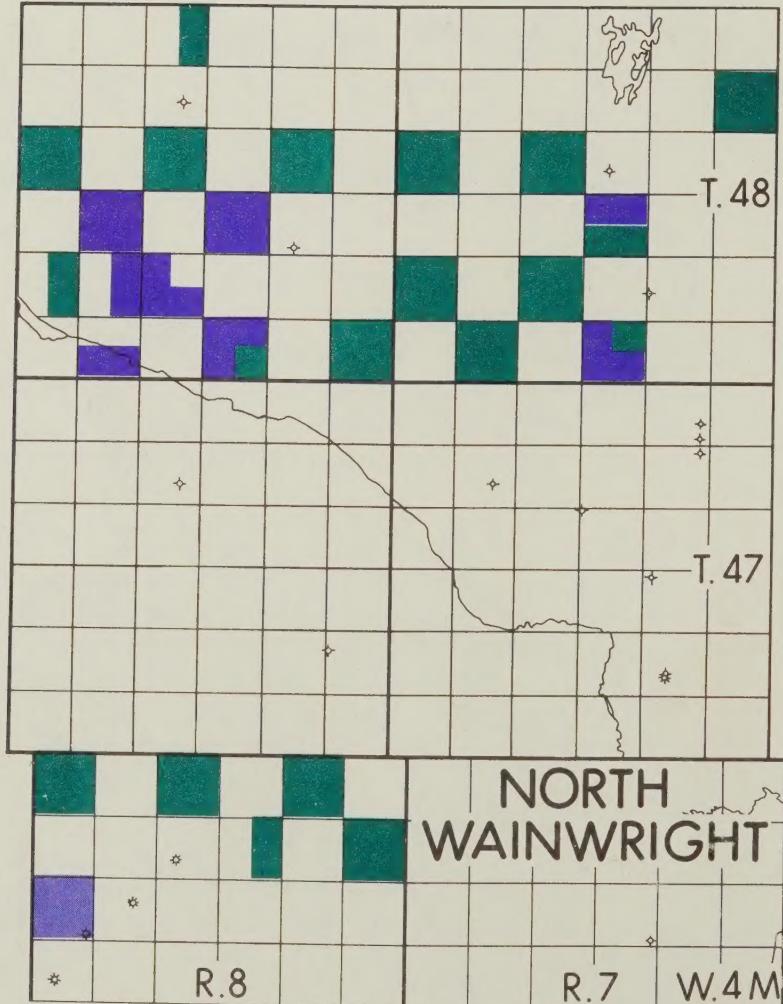
WHITESIDE AREA



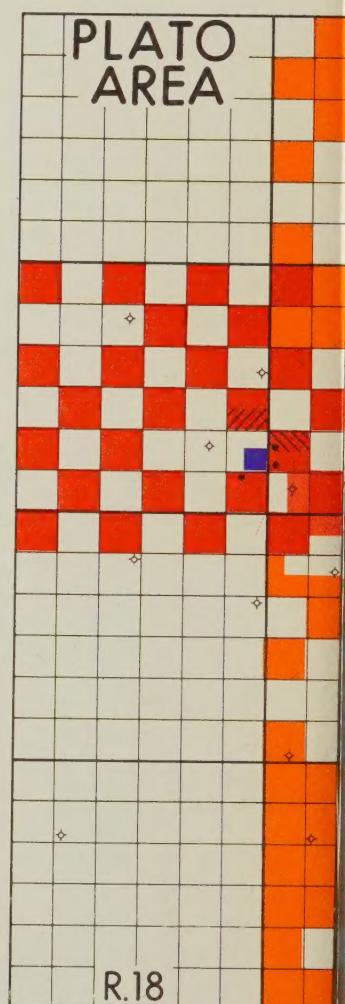
DODSLAND



PLATO AREA



NORTH WAINWRIGHT



September 5, 1968

REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS :

Your Company is currently involved in the most active and successful year in its history.

We plan an active development drilling program in the Plato area of Western Saskatchewan where we have established light oil production from the Viking Sand; and an exploration program to evaluate our sulphur permits in Northern Alberta. In addition, we have a continuing interest in several mineral exploration programs.

To finance these activities, your Company is proposing a share offering to present shareholders on the basis of one new share for each four shares held. The offer, at 25 cents per share, is being made to shareholders of record as of October 15th, 1968, and will be exerciseable until 4:00 o'clock P.M. on October 29th, 1968. If fully subscribed, the offer will realize \$156,000, and will provide sufficient funds for our currently planned programs. We plan to use the proceeds of the share offering as follows :

(a)	To retire bank loan other than production loans	\$ 6,000.00
(b)	To retire accounts payable	83,000.00
(c)	Exploration work on sulphur permits	10,000.00
(d)	Possible service fee to brokers, one cent per share on 600,000 shares, re rights offering	6,000.00
(e)	Drilling program at Plato	31,000.00
(f)	General corporate and working capital	<u>20,000.00</u>
	TOTAL	\$ <u>156,000.00</u>

The Directors of the Company reserve the right to take up any shares not subscribed for by shareholders for a period of 14 days following the expiry date. In the event that less than \$50,000 is raised by this offering, the monies tendered for shares will be returned.

Recent developments by Kamalta and our plans for the coming period are outlined further in more detail.

*Kamalta Exploration Ltd.*709 Lancaster Bldg.
Calgary 2 - Alta.

Telephone 264-2170

PLATO FIELD DEVELOPMENT

In the Plato Viking oil pool in Western Saskatchewan, discovered last year, Kamalta and its recently acquired subsidiary, Marvel Oils Limited, now have the following well interests :

<u>Well Location</u>	<u>Status</u>	<u>Date Drilled</u>	<u>Kamalta-Marvel Ownership</u>
4-7-25-17 W3	On Production.	March, 1967	25%
14-1-25-18 W3	Suspended	November, 1967	25%
12-7-25-17 W3	On Production.	June, 1968	100% subject to 1.75 G.O.R.
2-13-25-18 W3	On Production.	August, 1968	100% subject to 1.75 G.O.R.
14-7-25-17 W3	On Production.	August, 1968	100% subject to 1.75 G.O.R.
8-12-25-18 W3	On Production.	August, 1968	25% carried working interest, plus 2% G.O.R. and repayment of land costs.
12-17-25-18 W3	Being completed for production	September, 1968	25% plus royalty.

It should be noted that the 12-17 well is a five (5) mile stepout to the West.

All the wells drilled in 1968 are on production tests, and production rates will be available at the annual meeting.

Our acreage position here includes 25% interest in 24,310 acres under permit and lease acquired with Houston Oils Ltd., plus 100% working interest in 57,600 acres of permits and 1,280 acres of lease.

An aggressive follow-up drilling program is planned to establish additional production at Plato.

In the nearby Dodsland Viking oil field, Kamalta and Marvel recently acquired a 1,040 acre lease from Golden Eagle Oil & Gas Co. Ltd., and Husky Oil (Alberta) Ltd., subject to a 6-1/4% gross royalty override, in return for completing reservoir stimulation work at the Kiyiu Lake 10-35-20-21 well. Following a sand fracturing treatment, the well was placed on production at a rate of 23 barrels of oil per day. Drilling of nine additional development wells on this section and other lease holdings at Dodsland by the two companies is planned.

The accompanying maps, of Kamalta and Marvel's properties, do not include the five wells recently completed.

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Kamalta Exploration Ltd.

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Telephone 264-2170

SULPHUR EXPLORATION

Kamalta Exploration has increased its interest in the play for native sulphur ore in Northeastern Alberta, and now holds varying interests in six permits covering nearly 120,000 acres. We were one of the very first participants in this play, and thus were able to acquire some of the most favorably located blocks.

In order to spread our risk and discovery exposure, we have disposed of some interests in these permits. This has enabled us to fully recover our costs and realize a net profit of \$32,000 in cash and other assets, as outlined below.

Plans for a core drilling program this Spring to evaluate our sulphur holdings had to be postponed because of heavy snow cover and inaccessibility of the area. We are now proceeding with the planned exploration program.

MARVEL OILS LIMITED

Kamalta Exploration, by agreement dated May 22nd, sold interests in its properties at Plato and Dodsland to Marvel Oils Limited, for which we received \$5,000 cash and 610,000 shares of Marvel Oils. As a result, Kamalta now holds 51% of the issued shares of Marvel Oils. Properties sold to Marvel comprised the following :

- (a) 50% of Kamalta Exploration Ltd.'s 25% interest in 24,310 acre permit and one producing oil well and one suspended oil well in the Plato area in Saskatchewan.
- (b) All of Kamalta Exploration Ltd.'s interest in the Houston et al Agreement which involved the right to acquire all of Houston's 75% interest in S $\frac{1}{2}$ Sec. 7-25-17-W3 and S $\frac{1}{2}$ Sec. 13-25-18-W3 by the drilling of one well on each half section.
- (c) All of Kamalta Exploration Ltd.'s interest in a farmout agreement from Golden Eagle Oil & Gas Limited and Husky Oil (Alberta) Limited which involved a 100% interest in 1,040 acres, subject to a 6-1/4% gross overriding royalty and the stimulation and equipping of Canpet-Sarcee 10-35-30-21-W3 well.

In addition to its interest at Plato and Dodsland, Marvel Oils holds 12,337 acres of freehold mineral rights in the Wainwright area of Eastern Alberta. Ranger Oil Ltd. on a one-section lease from Marvel subject to a 12 $\frac{1}{2}$ % royalty, has a capped Viking gas well. In northern Alberta, Marvel holds a royalty on 19,200 acre sulphur permit near Kamalta's holdings.

Kamalta Exploration Ltd.

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Telephone 264-2170

SECURITIES

Part of the consideration received by Kamalta in exchange for minor interests in our Alberta sulphur permits included 100,000 shares of Laronex Copper Mines Limited. In addition, 825,562 shares (700,562 shares of which are escrowed) of Petromines Limited were acquired for a cash consideration of \$35,000 and 30,000 shares of Kokanee Moly Mines Ltd. were acquired for \$20,000 cash.

Laronex plans exploration work this winter on a copper prospect in Northern Saskatchewan where the Company has a spread of mineral claims.

Petromines holds $2\frac{1}{2}\%$ gross royalty interest in 13 producing oil wells and one gas well at Lloydminster; 22 mineral claims covering a rare earth prospect at Shatford Lake, Manitoba and 52,540 shares of Marvel Oils.

OTHER EXPLORATION DEVELOPMENTS

Negotiations are underway for an exploration program to evaluate our molybdenum prospect at Crawford Bay, B.C., where Kamalta and United New Fortune Mines Ltd. jointly hold 32 mineral claims. Preliminary exploration work last year consisting of geological mapping, trenching and diamond drilling provided encouraging results.

Work conducted on our zinc property on the Bruce Peninsula in Ontario will hold these properties in good standing for the next four years, and no additional work is immediately planned.

Preliminary exploration work on a group of 40 mineral claims in the Lac La Ronge area of Northern Saskatchewan in which Kamalta holds an interest failed to disclose any commercial nickel or copper prospects, and the properties will be dropped this year.

We have been successful in recovering most of our investment in a block of 368 mining claims in the Golden area of British Columbia. As reported in our annual report for the year ended November 30th, 1966, by agreement dated May 6th, 1966, the Company acquired the mineral claims from Trans-World Exploration Ltd. in consideration of 500,000 treasury shares of Kamalta valued at \$125,000. The claims were subsequently found to be invalid due to improper staking, and Kamalta initiated action to effect recovery of its investment. We have since reached an agreement whereby we have recovered 400,000 of the 500,000 treasury shares that had been issued for the properties.

Respectfully submitted,
On Behalf of the Board

W. B. Ruck - President

WBR/eb

KAMALTA EXPLORATION LTD.

FINANCIAL STATEMENTS

NOVEMBER 30, 1967

DEVONSHIRE, MUNRO & CO.

CHARTERED ACCOUNTANTS

TELEPHONE: 403-269-7736

MERVYN S. DEVONSHIRE, B.COM., C.A.
R. JAMES MUNRO, B.COM., C.A.

720 SEVENTH AVENUE S.W.
CALGARY, CANADA

AUDITORS' REPORT

To The Shareholders,

KAMALTA EXPLORATION LTD.

We have examined the balance sheet of Kamalta Exploration Ltd. as at November 30, 1967, and the statements of income and source and disposition of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and source and disposition of funds, together with the notes thereto, present fairly the financial position of the company as at November 30, 1967, and the results of its operations and the source and disposition of its funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada,

June 12, 1968.

Devonshire, Munro & Co.

Chartered Accountants.

BALANCE SHEET

KAMALTA EXPLORATION LTD.

(Compared with 1966 figures)

<u>ASSETS</u>		<u>1967</u>	<u>1966</u>	<u>1967</u>	<u>1966</u>
<u>CURRENT</u>				<u>CURRENT</u>	
Cash	\$ 341	\$ 83		Bank indebtedness, secured	\$ 1,500
Accounts receivable	2,988	-		Accounts payable -	\$ -
Refundable deposits	2,500	-		Trade	37,133
				Georgian Management Ltd.	6,971
					812
					11,973
				<u>Total liabilities</u>	<u>\$ 45,604</u>
					<u>\$ 12,785</u>

SHAREHOLDERS' EQUITY

<u>INVESTMENTS</u> at cost				<u>CAPITAL STOCK</u>	
Marketable securities (Note 1)	\$ 20,000	\$ 4,456		<u>Authorized</u> - 5,000,000 shares without	
Other investments	-			<u>Nominal</u> or par value	
				<u>Issued</u> - 2,457,855 shares	
				(Notes 2 and 3)	
				<u>DEFICIT</u>	
<u>FIXED</u> at cost				<u>Balance</u> at beginning of the year	\$ (1,240,178)
Oil wells and equipment	\$ 61,622	\$ 15,390		<u>Adjustment</u> of prior year's loss	\$ (1,079,958)
Less accumulated amortization				(Note 3)	
and depreciation	12,404	-			
					100,000
Mineral claims and permits	\$ 49,218	\$ 15,390			
	210,615	140,159			
				<u>Loss for the year</u>	\$ (1,140,178)
					(39,178)
<u>DEFERRED CHARGES</u>	\$ 259,833	\$ 155,059			
Organization expenses					
				<u>Balance at end of the year</u>	\$ (1,179,356)
				<u>Total shareholders' equity</u>	<u>\$ 247,173</u>
					<u>\$ 163,928</u>

SIGNED ON BEHALF OF THE BOARD

Jack DIRECTOR
Bill DIRECTOR

<u>Total assets</u>	<u>\$ 292,777</u>	<u>\$ 176,713</u>
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The accompanying notes to financial statements are an integral part hereof.

KAMALTA EXPLORATION LTD.

STATEMENT OF INCOME

FOR THE YEAR ENDED NOVEMBER 30, 1967

(Compared with 1966 figures)

	<u>1967</u>	<u>1966</u>
<u>REVENUE</u>		
Oil Sales	\$ 17,550	\$ -
Less Royalties	1,999	-
	<u>\$ 15,551</u>	<u>\$ -</u>
<u>OPERATING AND DEVELOPMENT EXPENSES</u>		
Production expenses	\$ 7,310	\$ -
Lease rentals	1,830	441
Geological and consultants fees	2,067	-
Dry hole costs	-	8,703
Leases surrendered	-	1,600
Depreciation and amortization of wells and equipment	12,404	-
	<u>\$ 23,611</u>	<u>\$ 10,744</u>
	<u>\$ (8,060)</u>	<u><u>\$ (10,744)</u></u>
<u>ADMINISTRATIVE AND GENERAL EXPENSES</u>		
Management fee	\$ 12,000	\$ 3,600
Stationery, postage and printing	1,409	1,377
Secretarial, office and telephone	3,332	1,690
Legal, accounting and audit	3,450	950
Registrar and transfer agent	1,471	133
Travelling and automobile	6,788	2,835
Interest and bank charges	109	214
Miscellaneous	113	499
	<u>\$ 28,672</u>	<u>\$ 11,298</u>
	<u><u>\$ (36,732)</u></u>	<u><u>\$ (22,042)</u></u>
<u>OTHER EXPENSES AND INCOME</u>		
Loss on sale of fixed assets	\$ 890	\$ (424)
Miscellaneous income	(194)	-
Mining claims (Note 3)	-	125,000
Provision for decline in value of investments	1,750	3,760
Loss on sale of investments	2,446	9,842
	<u><u>\$ 2,446</u></u>	<u><u>\$ 138,178</u></u>
<u>Loss for the period</u>	<u><u>\$ (39,178)</u></u>	<u><u>\$ (160,220)</u></u>

KAMALTA EXPLORATION LTD.

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

FOR THE YEAR ENDED NOVEMBER 30, 1967

(Compared with 1966 figures)

	<u>1967</u>	<u>1966</u>
<u>SOURCE OF FUNDS</u>		
Capital stock issued	\$ 74,635	\$ 43,830
Sale of assets	2,706	-
Investments	15,000	500
Office furniture	-	-
Oil well	-	-
Reduction in working capital	27,073	12,912
	<u>\$ 119,414</u>	<u>\$ 57,242</u>
<u>DISPOSITION OF FUNDS</u>		
Operating loss	\$ 39,178	\$ 160,220
Deduct non-cash items	12,404	-
Depreciation and amortization	890	(424)
Loss on sale of fixed assets	1,750	-
Loss on sale of investments	-	-
Provision for decline in value of investments	-	3,760
Leases surrendered	-	1,600
Mining claims	-	125,000
	<u>\$ 15,044</u>	<u>\$ 129,936</u>
	<u><u>\$ (36,732)</u></u>	<u><u>\$ 24,134</u></u>
Expenditures for assets	\$ 24,134	\$ 30,284
Marketable securities	20,000	-
Oil and gas properties	47,522	15,390
Mineral properties	27,758	4,068
Investments	-	7,000
	<u><u>\$ 119,414</u></u>	<u><u>\$ 57,242</u></u>
<u>Loss for the period</u>	<u><u>\$ (39,178)</u></u>	<u><u>\$ (160,220)</u></u>

KAMALIA EXPLORATION LTD.

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 1967

1. MARKETABLE SECURITIES

The cost and quoted market value of marketable securities are as follows:

	<u>Shares</u>	<u>Cost</u>	<u>Market</u>
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Kokanee Moly Mines Ltd.	989,375	Shares for cash	\$ 639,706
(N.P.L.)	1,428,480	Shares for properties	766,823
	<u>40,000</u>	Shares for services	<u>20,000</u>
	<u>2,457,855</u>		<u>\$1,426,529</u>

The shares are by agreement pooled until September 15, 1968.

2. CAPITAL STOCK

As at November 30, 1967 capital stock had been issued as follows:

989,375	Shares for cash	\$ 639,706
1,428,480	Shares for properties	766,823
<u>40,000</u>	Shares for services	<u>20,000</u>
<u>2,457,855</u>		<u>\$1,426,529</u>

The foregoing summary includes the following changes in issued capital stock recorded during the year ended November 30, 1967.

Shares cancelled -

400,000	Shares from Transworld	
	Exploration Limited	
	(Note 3)	
<u>400,000</u>		<u>\$100,000</u>

Shares issued -

335,000	Shares for cash	\$ 74,635
<u>302,500</u>	Shares for properties	<u>47,788</u>
<u>637,500</u>		<u>\$122,423</u>

As at November 30, 1967 the following options to purchase capital stock were outstanding:

To the President of the company -

200,000 shares at 25 cents per share to be exercised on or before March 3, 1972.

To Directors of the company -

100,000 shares at 25 cents per share to be exercised on or before March 3, 1972.

3. ADJUSTMENT OF PRIOR YEAR'S LOSS

By agreement dated May 6, 1966, the Company acquired from Transworld Exploration Ltd. mining claims in consideration for 500,000 shares of capital stock valued at \$125,000. The mining claims were found to be invalid due to improper staking, and the total acquisition cost was expensed in the Company's accounts during the year ended November 30, 1966.

As the result of efforts by the company to recover the cost of the claims, an agreement was made with the vendor, on April 26, 1967, whereby 400,000 shares were returned to the Company for cancellation, in full settlement of the claim. The accounts of the company were adjusted to reflect the cancellation of the issuance of the shares and the correction of the amount expensed with respect to the claims.

KAMALTA EXPLORATION LTD.

FINANCIAL STATEMENTS

JULY 31, 1968

DEVONSHIRE, MUNRO & CO.

CHARTERED ACCOUNTANTS

TELEPHONE: 403-269-7736

MERVYN S. DEVONSHIRE, B.COM., C.A.
R. JAMES MUNRO, B.COM., C.A.

720 SEVENTH AVENUE S.W.
CALGARY, CANADA

AUDITORS' REPORT

To The Shareholders,

KAMALTA EXPLORATION LTD.

We have examined the consolidated balance sheet of Kamalta Exploration Ltd. as at July 31, 1968, and the consolidated statements of income and source and disposition of funds for the eight months ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and source and disposition of funds, together with the notes thereto, present fairly the financial position of the companies as at July 31, 1968, and the results of their operations and the source and disposition of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada,

September 17, 1968

Devonshire, Munro & Co.

Chartered Accountants.

KAMALTA EXPLORATION LTD.

CONSOLIDATED BALANCE SHEET

(Compared with figures at November 30, 1967)

ASSETS

	<u>1968</u>	<u>1967</u>	<u>1968</u>	<u>1967</u>
<u>CURRENT</u>				
Cash	\$ 8,021	\$ 341	\$ 22,551	\$ 1,500
Accounts receivable		2,988		
Due from Georgian Management Ltd.	2,881	-	68,235	37,133
Refundable deposits	7,780	2,500	47,500	-
	<u>\$ 18,682</u>	<u>\$ 5,829</u>	<u>\$ 138,286</u>	<u>\$ 6,971</u>
<u>INVESTMENTS</u> at cost				
Marketable securities (Note 2)	\$ 65,075	\$ 20,000		
	<u>\$ 65,075</u>	<u>\$ 20,000</u>		
<u>FIXED</u> at cost				
Oil wells and equipment	\$ 109,408	\$ 61,622		
Less accumulated amortization and depreciation	19,534	12,404		
	<u>\$ 89,874</u>	<u>\$ 49,218</u>		
Mineral, petroleum and natural gas rights, leases, claims and permits	<u>\$ 710,062</u>	<u>\$ 210,615</u>		
	<u>\$ 799,936</u>	<u>\$ 259,833</u>		
<u>DEFERRED CHARGES</u>				
Organization expenses	\$ 8,895	\$ 7,115		
	<u>\$ 8,895</u>	<u>\$ 7,115</u>		
<u>SIGNED ON BEHALF OF THE BOARD</u>				
<u>Charles</u> DIRECTOR				
<u>Jack</u> DIRECTOR				
Total assets	<u>\$ 892,588</u>	<u>\$ 292,777</u>		
				<u>\$ 292,777</u>

The accompanying notes to financial statement are an integral part hereof.

JULY 31, 1968

LIABILITIES

	<u>1968</u>	<u>1967</u>
<u>CURRENT</u>		
Bank indebtedness		
Accounts payable -		
Trade Advances from directors		
Georgian Management Ltd.		
	<u>\$ 18,682</u>	<u>\$ 5,829</u>
<u>Total Liabilities</u>		
COMMITMENTS (Note 3)		
MINORITY INTEREST IN SUBSIDIARY (Note 1)	<u>\$ 252,218</u>	<u>\$ -</u>
<u>SHAREHOLDERS' EQUITY</u>		
<u>CAPITAL STOCK</u>		
Authorized - 5,000,000 shares without nominal or par value		
Issued - 2,507,855 shares (Note 4)		
	<u>\$ 1,440,029</u>	<u>\$ 1,426,529</u>
<u>DEFICIT</u>		
Balance at beginning of the period		
Adjustment of prior years loss		
Consolidated income for the period		
	<u>\$ (1,179,356)</u>	<u>\$ (1,240,178)</u>
Balance at end of the period		
	<u>\$ (937,945)</u>	<u>\$ (1,179,356)</u>
<u>Total shareholders' equity</u>		
	<u>\$ 502,084</u>	<u>\$ 247,173</u>
Total assets	<u>\$ 892,588</u>	<u>\$ 292,777</u>
		<u>\$ 292,777</u>

KAMALTA EXPLORATION LTD.

CONSOLIDATED STATEMENT OF INCOME

FOR THE EIGHT MONTHS ENDED JULY 31, 1968

(Compared with figures for the year ended November 30, 1967)

1968

1967

<u>REVENUE</u>		<u>1968</u>	<u>1967</u>
Oil sales		\$ 21,548	\$ 17,550
Less royalties		<u>2,263</u>	<u>1,999</u>
Lease rental income		\$ 19,285	\$ 15,551
Royalty income		<u>1,701</u>	<u>—</u>
		<u>50</u>	<u>—</u>
		<u>\$ 21,036</u>	<u>\$ 15,551</u>
<u>OPERATING AND DEVELOPMENT EXPENSES</u>			
Production expenses		\$ 2,419	\$ 7,310
Lease rentals		<u>240</u>	<u>1,830</u>
Taxes		<u>418</u>	<u>2,067</u>
Geological and consultants fees		<u>3,240</u>	<u>—</u>
Depreciation and amortization of wells and equipment		<u>8,724</u>	<u>12,404</u>
		<u>\$ 15,041</u>	<u>\$ 23,611</u>
		<u>\$ 5,95</u>	<u>\$ (8,060)</u>
<u>ADMINISTRATIVE AND GENERAL EXPENSES</u>			
Management fee (Note 5)		\$ 17,250	\$ 12,000
Stationery, postage and printing		<u>609</u>	<u>1,409</u>
Secretarial, office and telephone		<u>3,223</u>	<u>3,332</u>
Legal, accounting and audit		<u>7,143</u>	<u>3,450</u>
Registrar and transfer agent		<u>1,869</u>	<u>1,471</u>
Travelling and automobile		<u>2,442</u>	<u>6,788</u>
Shareholders' meeting		<u>2,074</u>	<u>—</u>
Interest and bank charges		<u>1,350</u>	<u>109</u>
Miscellaneous		<u>930</u>	<u>113</u>
		<u>\$ 35,895</u>	<u>\$ 28,672</u>
		<u>\$ (29,900)</u>	<u>\$ (36,732)</u>
<u>OTHER INCOME AND EXPENSES</u>			
Profit on sale of fixed assets		\$ 267,668	\$ (890)
Profit on sale of securities		<u>15,861</u>	<u>(1,750)</u>
Miscellaneous income		<u>—</u>	<u>194</u>
		<u>\$283,529</u>	<u>\$ (2,446)</u>
<u>INCOME APPLICABLE TO MINORITY INTEREST</u>			
Consolidated income for the period		<u>\$241,411</u>	<u>\$ (39,178)</u>
		<u>=====</u>	<u>=====</u>
Loss from operations		\$ 21,176	\$ 24,134
Expenditures for assets -			
Marketable securities		49,365	20,000
Fixed assets		<u>90,754</u>	<u>75,280</u>
		<u>\$ 161,295</u>	<u>\$119,414</u>
		<u>=====</u>	<u>=====</u>

KAMALTA EXPLORATION LTD.

CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

FOR THE EIGHT MONTHS ENDED JULY 31, 1968

(Compared with figures for the year ended November 30, 1967)

1968

1967

<u>SOURCE OF FUNDS</u>		<u>1968</u>	<u>1967</u>
Sale of marketable securities		\$ 41,575	\$ 2,706
Sale of fixed assets		<u>32,250</u>	<u>15,000</u>
Reduction in working capital		<u>87,470</u>	<u>27,073</u>
Capital stock issued		<u>—</u>	<u>74,635</u>
		<u>\$ 161,295</u>	<u>\$119,414</u>
<u>DISPOSITION OF FUNDS</u>			
Operations -			
(Income) or loss for the period		<u>\$ (241,411)</u>	<u>\$ 39,178</u>
Profit on the sale of fixed assets		\$ 267,668	
Profit on the sale of securities		<u>15,861</u>	<u>—</u>
		<u>\$ 283,529</u>	<u>\$ —</u>
		<u>\$ 42,118</u>	<u>\$ 39,178</u>
Depreciation and amortization		\$ 8,724	\$ 12,404
Income applicable to minority interest		<u>12,218</u>	<u>—</u>
Loss on sale of fixed assets		<u>—</u>	<u>890</u>
Loss on sale of investments		<u>—</u>	<u>1,750</u>
		<u>\$ 20,942</u>	<u>\$ 15,044</u>
Loss from operations		\$ 21,176	\$ 24,134
Expenditures for assets -			
Marketable securities		49,365	20,000
Fixed assets		<u>90,754</u>	<u>75,280</u>
		<u>\$ 161,295</u>	<u>\$119,414</u>
		<u>=====</u>	<u>=====</u>

KAMALTA EXPLORATION LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 1968

The foregoing summary includes the following shares issued during the eight months ended July 31, 1968:

50,000 Shares for properties \$ 13,500

As at July 31, 1968, the following options to purchase capital stock were outstanding:

1. SUBSIDIARY COMPANY

By agreement dated May 13, 1968, the company sold Marvel Oils Limited certain oil and gas property interests, oil wells and equipment for the consideration of \$ 5,000 cash and 610,000 shares of the capital stock of that company. The shares thus acquired represent 50.4% of the outstanding shares of Marvel Oils Limited.

The consolidated balance sheet includes the accounts of Marvel Oils Limited and the consolidated statement of income includes the results of the operations of the subsidiary for the period from the date of acquisition to July 31, 1968.

2. MARKETABLE SECURITIES

The cost and quoted market value of marketable securities and the trading restrictions thereon, are as follows:

<u>Shares</u>	<u>Cost</u>	<u>Market</u>
Kokanee Moly Mines Ltd. (N.P.L.) Pooled until September 15, 1968	30,000	\$ 20,000
Laronex Copper Mines Limited	100,000	13,000
Petromines Limited	700,000	27,219
Escrowed	125,000	4,856
Unrestricted		8,125
	<u>\$ 65,075</u>	<u>\$ 82,025</u>

3. COMMITMENTS

As at July 31, 1968, the companies were committed to an oilwell drilling program involving expenditures of \$56,000. The program has since been completed.

4. CAPITAL STOCK

As at July 31, 1968 capital stock had been issued as follows:

989,375	Shares for cash	\$ 639,706
1,478,480	Shares for properties	780,323
<u>40,000</u>	Shares for services	<u>20,000</u>
		<u>\$1,440,029</u>
	<u>2,507,855</u>	

